



## INDEPENDENT AUDITORS' REPORT

To the Honorable Board of County Supervisors  
Waukesha County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Waukesha County, Wisconsin, as of and for the year ended December 31, 2003, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Waukesha County, Wisconsin, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of Waukesha County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison on pages 18 to 27 and 75 to 81 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Honorable Board of County Supervisors

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waukesha County's basic financial statements. The combining and individual fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The "Letter of Transmittal" and "Statistical Section" listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Waukesha County, Wisconsin. The information has not been audited by us and, accordingly, we express no opinion on such information.

*Vorchow, Krause & Company, LLP*

Madison, Wisconsin  
April 20, 2004

## **GOVERNMENT-WIDE STATEMENTS**

**WAUKESHA COUNTY, WISCONSIN**

**STATEMENT OF NET ASSETS**

December 31, 2003

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and investments	\$ 114,695,490	\$ 15,269,100	\$ 129,964,590	\$ 538,051
Receivables:				
Property taxes - delinquent	6,635,288	-	6,635,288	-
Property taxes - levied for subsequent years budget	83,929,694	361,453	84,291,147	-
Taxes levied for other governments	7,490,034	-	7,490,034	-
Accrued interest	872,673	-	872,673	1,940
Accounts	1,600,353	200,296	1,800,649	21,093
Due from other governments	13,069,431	39,584	13,109,015	-
Internal balances	172,622	(172,622)	-	-
Prepaid items	71,912	167,694	239,606	1,570
Inventories	576,003	202,088	778,091	-
Unamortized bond issuance expense	67,872	-	67,872	-
Advances to/from other funds	6,229,341	(6,229,341)	-	-
Restricted cash and investments	262,571	-	262,571	74,423
Deposit in WMMIC	2,459,264	-	2,459,264	-
Long term receivable	5,132,390	3,405,249	8,537,639	-
Capital assets:				
Land	30,056,859	10,288,747	40,345,606	-
Buildings	98,882,280	19,152,666	118,034,946	-
Improvements other than buildings	10,329,564	18,458,653	28,788,217	-
Machinery and equipment	24,693,458	7,372,640	32,066,098	-
Vehicles	9,286,197	-	9,286,197	-
Infrastructure	162,751,151	-	162,751,151	-
Construction in progress	32,678,613	-	32,678,613	-
Accumulated depreciation	(133,463,781)	(15,944,509)	(149,408,290)	-
<b>Total assets</b>	<b>\$ 478,479,279</b>	<b>\$ 52,571,698</b>	<b>\$ 531,050,977</b>	<b>\$ 637,077</b>
<b>LIABILITIES</b>				
Vouchers payable	\$ 13,931,516	\$ 240,414	\$ 14,171,930	\$ 6,037
Accrued compensation	3,554,070	58,684	3,612,754	11,631
Other liabilities	1,053,227	51,043	1,104,270	74,382
Due to other governments	8,668,251	-	8,668,251	173
Claims payable	3,304,521	-	3,304,521	-
Bond interest payable	424,906	-	424,906	-
Deferred property tax revenue	84,686,255	361,453	85,047,708	-
Other deferred revenue	1,044,600	517,907	1,562,507	-
Long-Term Liabilities:				
Compensated absences - current	3,847,926	-	3,847,926	-
Bonds payable - current	9,400,000	-	9,400,000	-
Bonds payable - non current	60,265,000	-	60,265,000	-
Unamortized bond issuance discount	(57,387)	-	(57,387)	-
<b>Total liabilities</b>	<b>\$ 190,122,885</b>	<b>\$ 1,229,501</b>	<b>\$ 191,352,386</b>	<b>\$ 92,223</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 170,434,885	\$ 39,328,197	\$ 209,763,082	\$ -
Restricted net assets for:				
Park development	157,298	-	157,298	-
Land information systems	1,683,158	-	1,683,158	-
Debt service	3,207,242	-	3,207,242	-
Community development block grant	5,181,498	-	5,181,498	-
Federated library	603,245	-	603,245	-
Unrestricted net assets	107,089,068	12,014,000	119,103,068	544,854
<b>Total net assets</b>	<b>\$ 288,356,394</b>	<b>\$ 51,342,197</b>	<b>\$ 339,698,591</b>	<b>\$ 544,854</b>

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2003

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
<b>GOVERNMENTAL ACTIVITIES</b>							
Justice and law enforcement	\$ 36,078,512	\$ 8,898,877	\$ 2,361,239	\$ -	\$ (24,818,396)	\$ -	\$ (24,818,396)
Health and human services	77,929,109	8,081,741	51,425,259	-	(18,422,109)	-	(18,422,109)
Environment, parks and education	16,222,494	8,713,853	2,973,340	-	(4,535,301)	-	(4,535,301)
Public works	31,344,254	3,533,209	7,080,532	1,803,947	(18,926,566)	-	(18,926,566)
General government	10,270,563	1,021,247	812,555	187,958	(8,248,803)	-	(8,248,803)
Interest expense	3,238,235	-	-	-	(3,238,235)	-	(3,238,235)
<b>Total Governmental Activities</b>	<b>175,083,167</b>	<b>30,248,927</b>	<b>64,652,925</b>	<b>1,991,905</b>	<b>(78,189,410)</b>	<b>-</b>	<b>(78,189,410)</b>
<b>BUSINESS TYPE ACTIVITIES</b>							
Radio services	769,038	508,705	-	-	-	(260,333)	(260,333)
Golf courses	3,069,237	3,058,101	-	-	-	(11,136)	(11,136)
Ice arenas	1,086,788	878,875	-	-	-	(207,913)	(207,913)
Exposition center	768,561	740,957	-	-	-	(27,604)	(27,604)
Materials recovery facility	1,640,737	875,550	1,082,297	-	-	317,110	317,110
Airport	1,637,759	600,628	-	-	-	(1,037,131)	(1,037,131)
<b>Total Business Type Activities</b>	<b>8,972,120</b>	<b>6,662,816</b>	<b>1,082,297</b>	<b>-</b>	<b>-</b>	<b>(1,227,007)</b>	<b>(1,227,007)</b>
<b>Total Primary Government</b>	<b>\$ 184,055,287</b>	<b>\$ 36,911,743</b>	<b>\$ 65,735,222</b>	<b>\$ 1,991,905</b>	<b>\$ (78,189,410)</b>	<b>\$ (1,227,007)</b>	<b>\$ (79,416,417)</b>
<b>COMPONENT UNIT</b>							
Housing authority	\$ 2,399,062	\$ -	\$ 2,387,617	\$ -	\$ -	\$ -	\$ (11,445)
<b>GENERAL REVENUES</b>							
Property taxes					82,474,031	563,053	83,037,084
Grants and contributions, not restricted to specific programs					3,473,922	-	3,473,922
Investment earnings					3,473,835	395,295	3,869,130
Miscellaneous					1,211,447	40,445	1,251,892
Gains (losses) on disposal/sale of capital assets					277,111	(30,581)	246,530
<b>Total General Revenues</b>					<b>90,910,346</b>	<b>968,212</b>	<b>91,878,558</b>
Capital contributions					22,733	30,000	52,733
Transfers					400,000	(400,000)	-
<b>Change in Net Assets</b>					<b>13,143,669</b>	<b>(628,795)</b>	<b>12,514,874</b>
Net Assets - Beginning of Year					275,212,725	51,970,992	327,183,717
<b>Net Assets - End of Year</b>					<b>\$ 288,356,394</b>	<b>\$ 51,342,197</b>	<b>\$ 339,698,591</b>
							<b>\$ 544,854</b>

See notes to financial statements.

## **MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND** - The General Fund is the primary operating fund of the County. It is used to account for resources traditionally associated with governments, except those required to be accounted for in another fund.

**HUMAN SERVICES FUND** - To account for funds provided for income maintenance, counseling, alcohol and drug abuse programs, children's center services, services to the developmentally disabled, chronically mentally ill, elderly and administrative support services.

**LONG TERM CARE FUND** - To account for federal and state funds that provide services to eligible persons who are elderly, developmentally disabled, physically disabled or have a long-term mental illness.

**DEBT SERVICE FUND** - The debt service fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and service costs.

**WAUKESHA COUNTY, WISCONSIN**

COMBINING BALANCE SHEET - ALL GOVERNMENTAL FUNDS  
December 31, 2003

	General Fund	Human Services Fund	Long Term Care Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 45,496,043	\$ 5,015,259	\$ -	\$ 3,207,242	\$ 45,700,415	\$ 99,418,959
Receivables:						
Property taxes - delinquent	6,635,288	-	-	-	-	6,635,288
Property taxes levied for ensuing year's budget	46,914,490	11,693,120	1,799,761	11,485,188	11,238,135	83,130,694
Taxes levied for other governments	7,490,034	-	-	-	-	7,490,034
Accrued interest	872,673	-	-	-	-	872,673
Accounts	806,388	159,316	12,077	-	77,790	1,055,571
Due from other governments	1,442,935	1,628,157	7,076,291	-	2,392,442	12,539,825
Due from other funds	2,553,498	-	-	-	-	2,553,498
Inventories	38	-	-	-	312,493	312,531
Advances to other funds	8,690,100	-	-	-	-	8,690,100
Long term receivable	-	-	-	-	5,132,390	5,132,390
<b>Total assets</b>	<b>\$ 120,901,487</b>	<b>\$ 18,495,852</b>	<b>\$ 8,888,129</b>	<b>\$ 14,692,430</b>	<b>\$ 64,853,665</b>	<b>\$ 227,831,563</b>
<b>LIABILITIES</b>						
Vouchers payable	\$ 1,679,815	\$ 4,178,930	\$ 2,679,246	\$ -	\$ 4,774,117	\$ 13,312,108
Accrued compensation	3,412,207	5,576	-	-	11,775	3,429,558
Other liabilities	363,844	459,360	51,357	-	108,064	982,625
Due to other governments	8,605,251	22,471	-	-	40,529	8,668,251
Due to other funds	-	-	2,450,210	-	103,288	2,553,498
Claims payable	1,365,744	-	-	-	-	1,365,744
Deferred property tax revenue	47,671,051	11,693,120	1,799,761	11,485,188	11,238,135	83,887,255
Other deferred revenue	304,674	-	-	-	5,872,316	6,176,990
Advances from other funds	500,000	-	-	-	1,975,625	2,475,625
<b>Total liabilities</b>	<b>\$ 63,902,586</b>	<b>\$ 16,359,457</b>	<b>\$ 6,980,574</b>	<b>\$ 11,485,188</b>	<b>\$ 24,123,849</b>	<b>\$ 122,851,654</b>
<b>FUND BALANCES</b>						
Reserved for non-current interfunds	\$ 8,793,388	\$ -	\$ -	\$ -	\$ -	\$ 8,793,388
Reserved for delinquent property taxes	5,879,141	-	-	-	-	5,879,141
Reserved for inventories	38	-	-	-	312,493	312,531
Reserved for debt service	-	-	-	3,207,242	-	3,207,242
Reserved for capital projects	-	-	-	-	21,645,055	21,645,055
Reserved for park purposes	-	-	-	-	157,298	157,298
Reserved for sick leave payout	600,000	-	-	-	-	600,000
Reserved for subsequent year's expenditures	7,197,981	-	-	-	5,521,899	12,719,880
Unreserved:						
Designated for capital projects, reported in capital projects funds	-	-	-	-	10,678,017	10,678,017
Designated for subsequent year's expenditures, reported in general fund	8,803,399	-	-	-	-	8,803,399
Designated for subsequent year's expenditures, reported in special revenue funds	-	1,213,246	-	-	1,645,318	2,858,564
Undesignated, reported in general fund	25,724,954	-	-	-	-	25,724,954
Undesignated, reported in special revenue funds	-	923,149	1,907,555	-	769,736	3,600,440
<b>Total fund balances</b>	<b>\$ 56,998,901</b>	<b>\$ 2,136,395</b>	<b>\$ 1,907,555</b>	<b>\$ 3,207,242</b>	<b>\$ 40,729,816</b>	<b>\$ 104,979,909</b>
<b>Total liabilities and fund balances</b>	<b>\$ 120,901,487</b>	<b>\$ 18,495,852</b>	<b>\$ 8,888,129</b>	<b>\$ 14,692,430</b>	<b>\$ 64,853,665</b>	<b>\$ 227,831,563</b>

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

RECONCILIATION OF THE COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
December 31, 2003

---

Total Fund Balances - Governmental Funds	\$ 104,979,909
------------------------------------------	----------------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	222,872,945
--------------------------------------------------------------------------------------------------------------------------------------------	-------------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(73,812,573)
-----------------------------------------------------------------------------------------------------------------------------------------------------------	--------------

Internal service funds are used by management to charge the costs of various services to individual funds and functional categories. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	29,183,723
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

Other long term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.	5,132,390
---------------------------------------------------------------------------------------------------------------------------	-----------

<b>Total Net Assets - Governmental Activities</b>	<b><u>\$ 288,356,394</u></b>
---------------------------------------------------	------------------------------

See notes to financial statements.



**WAUKESHA COUNTY, WISCONSIN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2003**

	<b>General Fund</b>	<b>Human Services Fund</b>	<b>Long Term Care Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
General intergovernmental assistance	\$ 1,837,102	\$ -	\$ -	\$ -	\$ 4,007,986	\$ 5,845,088
Intergovernmental contracts/grants	5,475,027	17,755,401	26,097,474	-	16,084,396	65,412,298
Taxes	44,359,191	11,246,915	1,808,515	10,988,538	10,694,137	79,097,296
Fines and licenses	3,152,985	482,049	-	-	-	3,635,034
Charges for services	13,652,315	1,944,268	389,765	-	3,238,207	19,224,555
Interdepartmental revenues	3,049,563	38,229	-	-	317,356	3,405,148
Investment earnings	2,028,203	-	-	331,044	552,442	2,911,689
Miscellaneous revenues	3,748,663	1,731,442	2,079,783	-	2,793,086	10,352,974
<b>Total revenues</b>	<b>77,303,049</b>	<b>33,198,304</b>	<b>30,375,537</b>	<b>11,319,582</b>	<b>37,687,610</b>	<b>189,884,082</b>
<b>EXPENDITURES</b>						
Current:						
Justice and law enforcement	37,009,124	-	-	-	-	37,009,124
Health and human services	4,924,369	33,095,772	29,575,572	-	11,857,460	79,453,173
Environment, parks and education	12,171,873	-	-	-	4,410,238	16,582,111
Public works	8,129,242	-	-	-	9,947,030	18,076,272
General government	11,323,404	-	-	-	-	11,323,404
Capital outlay:						
Health and human services	-	-	-	-	11,074	11,074
Environment, parks and education	-	-	-	-	2,074,476	2,074,476
Public works	-	-	-	-	21,217,220	21,217,220
General government	-	-	-	-	2,476,286	2,476,286
Debt service:						
Principal retirement	-	-	-	8,920,000	-	8,920,000
Interest and fiscal charges	-	-	-	3,133,384	-	3,133,384
<b>Total expenditures</b>	<b>73,558,012</b>	<b>33,095,772</b>	<b>29,575,572</b>	<b>12,053,384</b>	<b>51,993,784</b>	<b>200,276,524</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>3,745,037</b>	<b>102,532</b>	<b>799,965</b>	<b>(733,802)</b>	<b>(14,306,174)</b>	<b>(10,392,442)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
General obligation notes issued	-	-	-	-	13,500,000	13,500,000
Transfers in	70,000	25,000	-	450,000	4,031,165	4,576,165
Transfers out	(2,306,249)	-	(210,600)	-	(2,154,999)	(4,671,848)
<b>Total other financing sources (uses)</b>	<b>(2,236,249)</b>	<b>25,000</b>	<b>(210,600)</b>	<b>450,000</b>	<b>15,376,166</b>	<b>13,404,317</b>
<b>Net change in fund balances</b>	<b>1,508,788</b>	<b>127,532</b>	<b>589,365</b>	<b>(283,802)</b>	<b>1,069,992</b>	<b>3,011,875</b>
Fund Balances - January 1	55,490,113	2,008,863	1,318,190	3,491,044	39,659,824	101,968,034
<b>Fund Balances - December 31</b>	<b>\$ 56,998,901</b>	<b>\$ 2,136,395</b>	<b>\$ 1,907,555</b>	<b>\$ 3,207,242</b>	<b>\$ 40,729,816</b>	<b>\$ 104,979,909</b>

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

RECONCILIATION OF THE COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
December 31, 2003

---

Net changes in fund balances - total governmental funds	\$ 3,011,875
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset purchases exceeded depreciation in the current period.	12,911,867
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets.	8,920,000
The issuance of long term debt is an other financing source in the governmental funds, but the issuance increases long term liabilities in the Statement of Net Assets.	(13,500,000)
Some expenses reported in the Statement of Activities, such as compensated balances and interest payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(270,539)
Internal service funds are used by management to charge the costs of various services to individual funds and functional categories.	(786,428)
The net revenues of certain activities of internal service funds is reported with governmental activities.	2,318,318
Governmental funds report economic loan repayments as revenues and the issuance of new loans as expenditures. These activities are reported as changes in loans receivable in the government-wide statements.	538,576
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 13,143,669</u></b>

See notes to financial statements.

## **MAJOR PROPRIETARY FUNDS**

**AIRPORT OPERATIONS/DEVELOPMENT FUND** - To account for the operation and maintenance of the County airport buildings and runways, located in Waukesha, Wisconsin.

**WAUKESHA COUNTY, WISCONSIN**

COMBINING STATEMENT OF NET ASSETS - ALL PROPRIETARY FUNDS  
December 31, 2003

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Airport Operations/ Development Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 2,041,786	\$ 13,227,314	\$ 15,269,100	\$ 15,276,531
Receivables:				
Property taxes levied for ensuing year's budget	271,453	90,000	361,453	799,000
Accounts	17,820	182,476	200,296	544,782
Total receivables	289,273	272,476	561,749	1,343,782
Due from other governments	-	39,584	39,584	529,606
Prepaid items	622	167,072	167,694	71,912
Inventories	-	202,088	202,088	263,472
Total current assets	2,331,681	13,908,534	16,240,215	17,485,303
Noncurrent assets:				
Advances to other funds	-	461,609	461,609	500,000
Long term receivable	-	3,405,249	3,405,249	-
Restricted cash and investments	-	-	-	262,571
Deposit in WMMIC	-	-	-	2,459,264
Capital assets:				
Land	8,049,032	2,239,715	10,288,747	-
Buildings	6,550,103	12,602,563	19,152,666	4,125,962
Improvements other than buildings	14,914,089	3,544,564	18,458,653	22,089
Machinery and equipment	77,881	7,294,759	7,372,640	9,425,878
Vehicles	-	-	-	8,746,389
Construction in progress	-	-	-	254,662
Less accumulated depreciation	(6,558,984)	(9,385,525)	(15,944,509)	(10,233,584)
Total capital assets (net of accumulated depreciation)	23,032,121	16,296,076	39,328,197	12,341,396
Total noncurrent assets	23,032,121	20,162,934	43,195,055	15,563,231
<b>Total assets</b>	<b>\$ 25,363,802</b>	<b>\$ 34,071,468</b>	<b>\$ 59,435,270</b>	<b>\$ 33,048,534</b>
<b>LIABILITIES</b>				
Current liabilities:				
Vouchers payable	\$ 70,123	\$ 170,291	\$ 240,414	\$ 619,407
Accrued compensation	9,039	49,645	58,684	124,512
Other liabilities	51,043	-	51,043	70,602
Deferred property tax revenue	271,453	90,000	361,453	799,000
Other deferred revenue	-	517,907	517,907	-
Total current liabilities	401,658	827,843	1,229,501	1,613,521
Noncurrent liabilities:				
Advances from other funds	-	6,690,950	6,690,950	485,134
Claims payable	-	-	-	1,938,777
Total noncurrent liabilities	-	6,690,950	6,690,950	2,423,911
<b>Total liabilities</b>	<b>\$ 401,658</b>	<b>\$ 7,518,793</b>	<b>\$ 7,920,451</b>	<b>\$ 4,037,432</b>
<b>NET ASSETS</b>				
Invested in capital assets	23,032,121	16,296,076	39,328,197	12,341,396
Unrestricted	1,930,023	10,256,599	12,186,622	16,669,706
<b>Total net assets</b>	<b>\$ 24,962,144</b>	<b>\$ 26,552,675</b>	<b>\$ 51,514,819</b>	<b>\$ 29,011,102</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(172,622)	
<b>Net Assets of Business-type Activities</b>			<b>\$ 51,342,197</b>	

See notes to financial statements.

**WAUKESHA COUNTY, WISCONSIN**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET ASSETS - ALL PROPRIETARY FUNDS  
For The Year Ended December 31, 2003**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Airport Operations/ Development Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 432,824	\$ 6,060,455	\$ 6,493,279	\$ 471,168
Interdepartmental revenues	-	357,215	357,215	9,716,608
Miscellaneous revenues	208,292	2,078	210,370	432,540
<b>Total operating revenues</b>	<b>641,116</b>	<b>6,419,748</b>	<b>7,060,864</b>	<b>10,620,316</b>
<b>OPERATING EXPENSES</b>				
Salaries	147,407	1,714,272	1,861,679	2,244,108
Benefits	53,511	472,934	526,445	780,555
Estimated future claims expense	-	-	-	108,968
Operating	163,685	1,372,977	1,536,662	4,543,595
Contracted services	295,346	1,363,422	1,658,768	885,079
Interdepartmental	38,948	1,345,623	1,384,571	368,617
Depreciation	930,035	1,283,394	2,213,429	2,440,016
<b>Total operating expenses</b>	<b>1,628,932</b>	<b>7,552,622</b>	<b>9,181,554</b>	<b>11,370,938</b>
<b>Operating income (loss)</b>	<b>(987,816)</b>	<b>(1,132,874)</b>	<b>(2,120,690)</b>	<b>(750,622)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
General property taxes	473,053	90,000	563,053	1,005,000
Intergovernmental contracts/grants	-	1,082,297	1,082,297	-
Investment earnings	407	394,500	394,907	562,147
Interest expense and fiscal charges	-	(77,417)	(77,417)	(42,529)
Gain (loss) on disposal of capital assets	-	(30,581)	(30,581)	169,114
<b>Total non-operating revenues (expenses)</b>	<b>473,460</b>	<b>1,458,799</b>	<b>1,932,259</b>	<b>1,693,732</b>
<b>Income (loss) before transfers and contributions</b>	<b>(514,356)</b>	<b>325,925</b>	<b>(188,431)</b>	<b>943,110</b>
Transfers in	-	-	-	565,683
Transfers out	-	(400,000)	(400,000)	(70,000)
<b>Income (loss) before contributions</b>	<b>(514,356)</b>	<b>(74,075)</b>	<b>(588,431)</b>	<b>1,438,793</b>
Capital contributions	-	30,000	30,000	22,733
<b>Increase (decrease) in net assets</b>	<b>(514,356)</b>	<b>(44,075)</b>	<b>(558,431)</b>	<b>1,461,526</b>
Net assets - January 1	25,476,500	26,596,750		27,549,576
<b>Net assets - December 31</b>	<b>\$ 24,962,144</b>	<b>\$ 26,552,675</b>		<b>\$ 29,011,102</b>
Adjustment to reflect the consolidation of current year internal service fund activities related to enterprise funds			(70,364)	
<b>Change in net assets of business-type activities</b>			<b>\$ (628,795)</b>	

See notes to financial statements.

**WAUKESHA COUNTY, WISCONSIN**

**COMBINING STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS**  
For The Year Ended December 31, 2003

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Airport Operations/ Development Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 639,168	\$ 6,270,660	\$ 6,909,828	\$ 768,543
Receipts from interfund services provided	-	357,215	357,215	9,846,107
Payments to suppliers	(456,037)	(3,028,264)	(3,484,301)	(5,733,396)
Payments to employees	(200,366)	(2,187,164)	(2,387,530)	(3,016,969)
Payments for interfund services used	(38,948)	(1,345,623)	(1,384,571)	(368,617)
<b>Total cash flows from operating activities</b>	<b>(56,183)</b>	<b>66,824</b>	<b>10,641</b>	<b>1,495,668</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	-	(400,000)	(400,000)	(70,000)
Transfers from other funds	-	-	-	565,683
Receipts from intergovernmental contracts/grants	-	1,270,663	1,270,663	-
Receipts from general property taxes	473,053	90,000	563,053	1,005,000
<b>Total cash flows from non-capital financing activities</b>	<b>473,053</b>	<b>960,663</b>	<b>1,433,716</b>	<b>1,500,683</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets*	(11,250)	(539,795)	(551,045)	(2,016,813)
Proceeds from sales of capital assets	-	-	-	265,482
Capital contributions	-	-	-	8,787
Long term receivable from municipalities	-	701,122	701,122	-
Principal paid on capital related interfund advance	-	(855,596)	(855,596)	(101,499)
Interest paid on capital related interfund advance	-	(77,417)	(77,417)	(42,529)
<b>Total cash flows from capital and related financing activities</b>	<b>(11,250)</b>	<b>(771,686)</b>	<b>(782,936)</b>	<b>(1,886,572)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	407	394,500	394,907	562,147
<b>Total cash flows from investing activities</b>	<b>407</b>	<b>394,500</b>	<b>394,907</b>	<b>562,147</b>
Cash and Cash Equivalents, Beginning of Year	1,635,759	12,577,013	14,212,772	13,604,605
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2,041,786</b>	<b>\$ 13,227,314</b>	<b>\$ 15,269,100</b>	<b>\$ 15,276,531</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (987,816)	\$ (1,132,874)	\$ (2,120,690)	\$ (750,622)
Depreciation expense	930,035	1,283,394	2,213,429	2,440,016
(Increase) Decrease in accounts receivable	(1,326)	82,644	81,318	(79,279)
(Increase) Decrease in due from other governments	-	212,398	212,398	73,612
(Increase) Decrease in prepaid items	(622)	(166,458)	(167,080)	(62,325)
(Increase) Decrease in inventories	-	44,232	44,232	9,603
Increase (Decrease) in vouchers payable	(47,007)	(165,000)	(212,007)	55,797
Increase (Decrease) in accrued compensation	552	42	594	7,694
Increase (Decrease) in other liabilities	50,001	-	50,001	41,760
Increase (Decrease) in other deferred revenue	-	(91,554)	(91,554)	-
Increase (Decrease) in claims payable	-	-	-	(240,588)
<b>Net cash provided by operating activities</b>	<b>\$ (56,183)</b>	<b>\$ 66,824</b>	<b>\$ 10,641</b>	<b>\$ 1,495,668</b>

\* There were \$30,000 of Enterprise non-cash contributions of capital assets during the year.

\* There were \$16,900 of Internal Service non-cash contributions of capital assets during the year.

See notes to financial statements.

**THIS PAGE LEFT BLANK**

## **FIDUCIARY FUNDS**

### **AGENCY FUNDS**

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.



**WAUKESHA COUNTY, WISCONSIN**

**STATEMENT OF NET ASSETS - FIDUCIARY FUNDS**

December 31, 2003

---

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and investments	\$ 12,719,619
Receivables:	
Due from other governments	4,003
<b>Total assets</b>	<b><u>\$ 12,723,622</u></b>
<b>LIABILITIES</b>	
Other liabilities	\$ 4,442,255
Due to other governments	8,281,367
<b>Total liabilities</b>	<b><u>\$ 12,723,622</u></b>

See notes to financial statements.

**THIS PAGE LEFT BLANK**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

The accounting policies of Waukesha County, Wisconsin conform to generally accepted accounting principles as applicable to governmental units.

**A. Reporting Entity**

This report includes all of the funds of Waukesha County. The reporting entity for the County consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Included within the reporting entity is the following Discretely Presented Component Unit:

**WAUKESHA COUNTY HOUSING AUTHORITY**

The government-wide financial statements include the Waukesha County Housing Authority ("Housing Authority") as a component unit. The Housing Authority is a legally separate organization. The county executive appoints the board of the Housing Authority. Wisconsin Statutes provide for circumstances whereby the County can impose their will on the Housing Authority, and also create a potential financial benefit to or burden on the County. See Note 13. As a component unit, the Housing Authority's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended September 30, 2003. Separately issued financial statements of the Waukesha County Housing Authority may be obtained from the Housing Authority's office at 120 Corrina Blvd., Waukesha, Wisconsin, 53186.

**B. Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements**

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

---

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The County does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

**Fund Financial Statements**

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the County believes is particularly important to financial statement users may be reported as a major fund.

The County reports the following major governmental and enterprise funds:

**Major Governmental Funds**

General Fund – accounts for the County's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Human Services Special Revenue Fund – To account for funds provided for income maintenance, counseling, alcohol and drug abuse programs, children's center services, services to the developmentally disabled, chronically mentally ill, elderly and administrative support services.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

---

Long Term Care Special Revenue Fund – Accounts for federal and state funds that provide services to eligible persons who are elderly, developmentally disabled, physically disabled or have a long-term mental illness.

General Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than proprietary fund debt.

**Major Enterprise Funds**

Airport Operations/Development Fund – Accounts for the operation of the County airport buildings and runways.

The County reports the following non-major governmental and enterprise funds:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Elderly Nutrition Fund  
Walter Tarmann Fund  
Land Information System Fund  
Child Support Fund  
Community Development Block Grant Fund  
Mental Health Center Fund  
Highway Operations Fund  
Transit Services Fund  
Smith Park Fund  
Reuss Trust Fund  
Federated Library Fund

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities

1994 through 2004 Capital Projects funds

Enterprise Funds – may be used to report any activity for which a fee is charged to external users for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

Radio Services Fund  
Golf Course Fund  
Ice Arena Fund  
Exposition Center Fund  
Materials Recovery Facility Fund

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

---

In addition, the County reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis.

Risk Management/Self Insurance Fund  
Vehicle/Equipment Replacement Fund  
Central Fleet Maintenance Fund  
Records Management Fund  
Communications Fund  
Collections Fund  
End User Technology Fund

Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**FUND FINANCIAL STATEMENTS**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Human service fund, long term care fund, and mental health center fund revenues are considered available if they are collected within 180 days of the end of the current fiscal period. Expenditures are recorded when the related fund

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

---

liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the County is entitled the resources and the amounts are available. Amounts owed to the County, which are not available, are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Revenues susceptible to accrual include general intergovernmental assistance, intergovernmental contracts/grants, interdepartmental revenues, property taxes, miscellaneous taxes, charges for services, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The County reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year that are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the County has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Fiduciary funds are reported using the accrual basis of accounting.

The proprietary funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.



WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

---

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**1. Deposits and Investments**

For purposes of the statement of cash flows, the County considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

State statutes restrict investment of County funds. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The State of Wisconsin Local Government Investment Pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The County's adopted investment policy is more restrictive than the state statutes in that it limits participation in investment pools to 10% of total pool assets and prohibits investments in corporate bonds, foreign securities, and the use of leverage. County policy also limits the use of open-ended management investments (mutual funds) to Aaa/AAA rated money market funds.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment earnings. Investment earnings on commingled investments of various County funds is allocated based on average balances, in accordance with adopted policies. A total of \$1,546,576 of investment interest was allocated to other funds in 2003. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Statutes Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2003, the County's share of the LGIP's assets are reported at market value. See Note 4 for further information.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

---

**2. Receivables**

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the County, taxes are collected for and remitted to the state and local governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund balance sheet.

Property tax calendar – 2003 tax roll:

Lien date and levy date	December 2003
Tax bills mailed	December 2003
Payment in full, or	January 31, 2004
First installment due	January 31, 2004
Second installment due	July 31, 2004
Personal property taxes in full	January 31, 2004
Tax sale – 2003 delinquent real estate taxes	October 2006

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

**3. Inventories and Prepaid Items**

Governmental fund inventories, if material, are recorded at cost based on the average cost method using the consumption method of accounting. Proprietary fund inventories are generally used for operation and maintenance work. They are valued at cost based on the average cost method and charged to operation and maintenance expense when used. Inventory quantities at December 31, 2003 were determined by physical counts.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Restricted Assets**

Mandatory segregations of assets are presented as restricted assets. The balance of the county's SIR deposit held by WMMIC is shown as restricted cash and investments.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

---

**5. Capital Assets**

**GOVERNMENT –WIDE STATEMENTS**

In the government-wide financial statements, fixed assets are accounted for as capital assets. The government defines capital assets as assets with an initial cost of more than \$5,000 for general capital assets and \$100,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Prior to January 2002, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required until January 1, 2006, when GASB 34 requires the County to retroactively report all major general infrastructure assets acquired since January 1, 1980. The County has retroactively reported all network infrastructure acquired by its governmental funds.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest expense was capitalized in 2003. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	24-71 Years
Land Improvements	10-39 Years
Machinery and Equipment	3-20 Years
Infrastructure	15-50 Years

**FUND FINANCIAL STATEMENTS**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

**6. Other Assets**

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

---

**7. Compensated Absences**

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources.

Until 2003, the County directly provided a limited post-retirement health insurance benefit for non-represented employees and some unions. Eligible employees must have retired at the normal retirement age (or later) under the Wisconsin Retirement System or at age 55, provided the employee had twenty years of creditable County service. The benefits include the conversion to cash of sixty-five percent of the accumulated sick leave for these employees to pay for health care premiums. As of January 1, 2003, six participants were eligible to receive benefits. In 2003, the County transferred the value of this benefit to a third party administrator, and it is no longer included in the County's financial statements.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2003 are determined on the basis of current salary rates and include salary related payments.

**8. Long-Term Obligations/Conduit Debt**

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consists primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

The County does not engage in conduit debt transactions.

**9. Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

---

10. Equity Classifications

**GOVERNMENT-WIDE STATEMENTS**

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, and then unrestricted resources as they are needed.

**FUND STATEMENTS**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

11. Comparative Data/Reclassifications

Comparative data has not been presented in the statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE 2– RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

---

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains “Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.” All liabilities—both current and long-term—are reported in the statement of net assets. The details of this are as follows:

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 2– RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONT'D)**

---

Bonds and notes payable	\$69,665,000
Compensated absences	3,847,926
Accrued interest	424,906
Unamortized debt discount and issue costs	<u>(125,259)</u>
Total	<u>\$73,812,573</u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital assets exceed depreciation in the current period.” The details of this are as follows:

Capital outlay per fund financial statements	\$25,779,056
Some items are recorded as capital outlay in the fund financial statements but do not meet the County capitalization policy, and therefore, are not capitalized in the government wide statements	(2,854,270)
Depreciation expense (net of internal service funds)	<u>(10,012,919)</u>
Total	<u>\$12,911,867</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities, such as compensated absences and interest payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this are as follows:

Compensated absences	\$270,257
Accrued interest	86,392
Debt issuance costs	<u>(86,110)</u>
Total	<u>\$270,539</u>

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

---

**A. BUDGETARY INFORMATION**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.

Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds. Accordingly, a budget has been adopted for the general fund and all special revenue, debt service, capital project, enterprise,

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 3- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**

and internal service funds. These budgets are prepared on a basis consistent with generally accepted accounting principles. Budgets are not formally adopted for agency funds.

Expenditures cannot legally exceed appropriations at the department level, pursuant to s.65.90, Wisconsin State Statutes. However, for the general and special revenue funds, the County has chosen a more restrictive control in the form of appropriation units, defined as groups of account classes within a department, including personnel costs, operating expenses, interdepartmental charges, and capital outlay. For proprietary funds, budgetary control is at the fund level. For capital project funds, budgetary control is at the individual project level.

State statutes, (s.65.905 (a)), also provide for the County Board to authorize an amendment of the budget by a vote of two-thirds of the entire membership of the Board. The County Board has authorized the Finance Committee, under County Code Section 2-211(c)(3), the following fund transfer authority:

1. A transfer of funds from one appropriation unit to another within the department budget.
2. A transfer of funds from the contingency fund, not to cumulatively exceed 10% of the funds originally appropriated for a department in a fiscal year.

In addition, the statutes allow supplemental budget appropriations to be made from unanticipated revenues received or fund equity, as defined by ordinance and adopted by two-thirds approval of the County Board.

Supplemental appropriations necessary for 2003 were as follows:

	<b>Adopted Budget</b>	<b>Modified Budget*</b>	<b>Increase/Decrease</b>
General	\$ 76,783,989	\$ 77,972,990	\$ 1,189,001
Special Revenue	89,611,581	93,680,182	4,068,601
Debt Service	24,006,838	24,006,838	-
Capital Projects	28,229,200	28,986,200	757,000
Enterprise	8,911,552	8,911,552	-
Internal Service	13,463,113	13,498,113	35,000
<b>Totals</b>	<b>\$ 241,006,273</b>	<b>\$ 247,055,875</b>	<b>\$ 6,049,602</b>

\*Excludes carryover project funds from prior years for general (\$1,243,324), special revenue (\$3,559,510), capital projects (\$21,547,611), enterprise (\$1,537,066) and internal service (\$517,259).

The adopted budgets for the general, special revenue, debt service and capital project funds are prepared on a basis consistent with generally accepted accounting principles. A comparison of budget and actual is included in the accompanying financial statements for governmental fund types with annual budgets.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 3– STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**

The adopted budgets for enterprise and internal service funds are prepared on a basis consistent with generally accepted accounting principles. Both budget and accounting treat depreciation as an expense and for budget purposes capital outlay is a memo entry only.

Budget and actual comparisons (excluding capital project revenues and expenses) of the County's enterprise and internal service funds for the year ended December 31, 2003 are as follows:

Enterprise Funds	Revenues		Expenses	
	Budget	Actual	Budget	Actual
Radio Services*	\$ 787,737	\$ 990,181	\$ 840,821	\$ 811,541
Golf Courses	3,485,000	3,027,494	3,120,047	3,030,074
Ice Arenas*	1,007,000	897,624	1,010,504	996,429
Expo Center*	776,418	830,957	776,455	763,366
Materials Recovery Facility	1,685,000	2,209,707	1,711,960	1,638,044
Airport*	784,746	912,976	1,068,723	1,036,730
<b>Internal Service Funds</b>				
Risk Mgmt/Self-Insurance	\$ 1,679,974	\$ 1,554,769	\$ 1,879,024	\$ 1,316,746
Vehicle Equipment Replacement	1,839,180	1,929,124	1,840,342	1,840,342
Central Fleet Maintenance	2,502,326	2,508,349	2,600,509	2,548,813
Records Management	1,661,370	1,985,700	1,661,370	1,658,445
Communications	801,812	772,017	880,712	795,894
Collections	529,463	755,152	529,463	517,087
End User Technology Fund	2,553,978	2,571,466	3,151,893	2,598,779

\*Actual expenses exclude depreciation expense for fixed assets acquired by grants externally restricted for capital acquisitions and construction (Radio Services, \$217,458; Ice Arena, \$84,634; Expo Center, \$2,004; Airport, \$592,202).

Budgetary amounts lapse at year-end, except for unexpended appropriations for capital projects, which carry forward to the ensuing year. The County Board, by ordinance, can authorize the carry forward of prior year's unexpended appropriations to the ensuing year.

**B. EXCESS EXPENDITURES OVER APPROPRIATIONS**

No funds had excess expenditures over appropriations.



WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 3— STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**

---

**C. DEFICIT BALANCES**

The transit services special revenue fund had a deficit balance of \$398,688 at December 31, 2003.

**D. LIMITATIONS ON THE COUNTY'S TAX LEVY RATE AND ITS ABILITY TO ISSUE NEW DEBT**

As part of Wisconsin's 1993 State Budget Bill (Act 16), legislation was passed (s.55.605, Wisconsin statutes) that limits the County's future tax levy rates. Generally, the County is limited to its 1992 tax levy rate for a five-year period, based upon current legislation. However, this limitation does not affect debt authorized prior to August 12, 1993 or refunding bonds.

The County may also exceed the limitation by holding a referendum (s.55.605 (3)(a)(1)) authorizing the County Board to approve a higher rate. The County may also exceed the rate if it increases the services it provides due to a transfer of these services from another governmental unit.

State statutes (s.55.605 and 67.045) also impose restrictions on the county's ability to issue new debt. Generally, referendum approval is required to issue unlimited tax general obligation debt, with the following exceptions:

- Refunding debt issues
- 75% approval by the County Board
- A reasonable expectation that the new debt can be accommodated within the existing tax rate
- Other exceptions as listed in State Statutes Section 67.045

The County is in compliance with the limitation.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

---

The County maintains a cash and investment pool that is available for use by all funds, except agency funds. The deposits and investments of the agency funds are held separately from those of other County funds. The deposit and investment balances of the various fund types on December 31, 2003 are as follows:

General Fund	\$45,496,043
Special Revenue Funds	13,547,312
Debt Service Funds	3,207,242
Capital Projects Funds	37,168,362
Enterprise Funds	15,269,100
Internal Service Funds	15,276,531
Internal Service Funds – Restricted	262,571
Agency Funds	12,719,619
<b>Total</b>	<b>\$142,946,780</b>

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 4— DEPOSITS AND INVESTMENTS (CONT'D)**

---

The County has adopted a formal investment policy which delegates authority to the Director of Administration to invest money of the County, to sell or exchange securities purchased and to provide for the safekeeping of such securities. The Department of Administration contracts with investment advisory firms for investment management services.

The County only deposits and invests its monies in investments allowed by State Statute. At year end the carrying amount of the County's deposits and investments are listed as follows:

Deposits: At year-end the carrying amount of the County's deposits was \$14,394,267 and the bank balance was \$9,262,384. \$7,448,703 of the bank balance at year-end was covered by Federal and State depository insurance or by collateral held by the County's agent in the County's name. \$1,813,681 of the bank balance was uninsured or uncollateralized at year-end. In addition, the County maintains petty cash funds in the amount of \$43,697.

All deposits in financial institutions are insured to \$100,000 by federal depository insurance. Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual governmental units. This coverage has been considered in computing the amounts in the insured balance.

The County also has a collateral agreement with an area bank to cover a position of the deposits exceeding FDIC and State Deposit Guarantee Fund coverage. The market value of this collateral at December 31, 2003 is \$9,702,959.

Investments: The County's investments are categorized below to give the indication of the level of custodial credit risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the County or its agent in the County's name holds the securities. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the County's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its safekeeping department or agent, but not in the County's name.

These categories do not disclose market risk, nor do they measure the risk of an issuer of securities being unable to fulfill their obligation. The categories simply indicate custodial risk and collateral relationships to the investment.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 4– DEPOSITS AND INVESTMENTS (CONT'D)**

	<b>Category I</b>	<b>Amortized Cost</b>	<b>Fair Value and Carrying Amount</b>
Repurchase Agreements	\$ 443,297	\$ 443,297	\$ 443,297
U.S. Government Securities	116,527,700	116,527,700	117,349,404
Investment in Wisconsin Local Government Investment Pool		8,390,257	8,383,486
Money Market Funds (U.S. Govt.)		2,070,058	2,070,058
Funds on Deposit with WMMIC – Pooled Funds		262,571	262,571
<b>Total</b>	<b>\$116,970,997</b>	<b>\$127,693,883</b>	<b>\$128,508,816</b>

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment earnings. Realized gains or losses will typically not occur because investments are typically held to maturity or the life of the security.

The County has an agreement to collateralize all repurchase agreements. Pursuant to the agreement, U.S. Government securities, with a fair value equal to the County's investment in repurchase agreements are held by a third party safekeeping agent.

Included in the investment portfolio are federal government bonds and notes and federally insured government bonds and notes maturing on various dates through the year 2013. This portfolio requires an average maturity of five years or less. Also included is a portfolio of adjustable rate federally insured loan and mortgage pools with an average life of four to seven years.

The County also invests in two money market funds which invest solely in US Treasury or Agency securities or in repurchase agreements secured by such obligations. Both funds are rated "AAAm" by Standard and Poor's credit rating agency and "Aaa" by Moody's Investors Services and are regulated by the SEC under Rule 2a-7 of the Investment Company Act of 1940.

The investment in the Wisconsin Local Government Investment Pool is carried at fair value which is substantially equal to the underlying value of their investments. Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, except for U.S. Government and Agency securities, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 5— RECEIVABLES**

---

**Property Taxes**

The County's property taxes are levied on or before December 31 on the equalized valuation as of the prior January 1 for all general property located in the County. The taxes are due and payable in the following year. Such amounts are recorded as property taxes receivable and deferred revenues in the accompanying financial statements. The aggregate levy of \$84,291,147 will be recognized as revenue during 2004.

Property taxes are recognized in the appropriate fund as revenues in the succeeding year when they are collected and available to finance services. If not collected by July 31st the delinquent property taxes are recorded as receivables and deferred revenues in the general fund. Delinquent property taxes are recognized as revenue when collected. Simple interest and penalty of 1 1/2 percent per month on delinquent property taxes are assessed by the County and recognized as revenue when received.

The County purchases uncollected property taxes from other taxing authorities at the unpaid amount to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues.

Local treasurers collect property taxes levied, typically through the last day of January in each year.

At this time, a settlement process between the county treasurer and local treasurers determines the amount due the various taxing districts. Tax collection becomes the responsibility of the County and taxes receivable represent unpaid taxes levied for all taxing entities within the County. The exceptions to this process are the Cities of Muskego, New Berlin, Oconomowoc and Waukesha and the Villages of Mukwonago and Sussex, wherein the settlement process does not occur until August of each year. Periodic advances from these taxing districts to the County are made prior to August of each year.

On August 31, the tax lien date, all unpaid taxes are reflected as tax certificates. No allowance for losses on delinquent taxes has been provided because of the County's demonstrated ability to recover any losses through the sale of the property.

Delinquent property taxes purchased from other taxing authorities are shown as reservations of fund balance at year-end. Delinquent property taxes levied by the County are shown as deferred revenue and are excluded from the fund balance until collected.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 5— RECEIVABLES (CONT'D)**

At December 31, 2003, delinquent property taxes by year levied consisted of the following:

<b>Tax Certificates</b>	<b>Total</b>	<b>County Levied</b>	<b>County Purchased</b>
2002	\$ 4,102,569	\$ 464,821	\$ 3,637,748
2001	1,711,193	194,392	1,516,801
2000	641,168	76,042	565,126
1999	20,245	2,330	17,915
1998	14,309	1,693	12,616
1997	11,433	1,433	10,000
1996 and prior	30,355	3,434	26,921
Tax Deeds	104,016	12,002	92,014
Total Delinquent Property Taxes Receivable	\$ 6,635,288	\$ 756,147	\$ 5,879,141

**Noncurrent Receivables**

The amount of receivables not expected to be collected within one year include an estimated \$2.3 million of property taxes, \$2.8 million of CDBG loans, and \$1.8 million of municipal loans.

**Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<b>Unavailable</b>	<b>Unearned</b>	<b>Total</b>
Property taxes receivable	\$ -	\$ 83,131,108	\$ 83,131,108
Delinquent property taxes receivable		\$ 756,147	756,147
CDBG loans receivable	3,886,805		3,886,805
Municipal loans receivable	1,245,585		1,245,585
Grant draw downs prior to meeting all eligibility requirements		1,044,600	1,044,600
Total deferred/unearned revenue for governmental funds for Governmental Funds	\$ 5,132,390	\$ 84,931,855	\$ 90,064,245

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 6— DUE FROM OTHER GOVERNMENTS**

At December 31, 2003, amounts due from other governments consisted of the following:

Source	Amount
Federal:	
CDBG Grants	\$ 1,153,479
Dept of Aging Grants	256,068
Dept of Justice/U.S. Marshall	120,697
Other Federal	24,766
State:	
Health and Human Services Aid	8,752,214
Dept of Transportation	982,800
Other State	1,375,791
County and Municipal	447,203
Total	\$ 13,113,018

  

Statement of Net Assets	\$ 13,109,015
Statement of Net Assets - Fiduciary Fund	4,003
Total	\$ 13,113,018

**NOTE 7— LONG TERM RECEIVABLE FROM MUNICIPALITIES**

As part of a countywide radio upgrade capital project, the County entered into 50/50 cost-share agreements with municipalities to finance the project's infrastructure costs. As part of the agreement, the County is providing interest-free financing to initial charter member municipalities over a nine-year period for infrastructure. The County is also providing interest bearing financing to municipalities for radio equipment purchases at the County's cost of capital of 4.2%. In 2000, the County recorded a long-term receivable from municipalities of \$1,784,458 in the radio services enterprise fund for infrastructure. Annual repayments began in 2000. In 2001, the County recorded an additional long term receivable from municipalities of \$3,891,900 for equipment. Annual repayments for equipment began in 2001. The balance of the long-term receivable at December 31, 2003 is \$3,405,249.

The 2003 capital budget included the appropriation of general fund balance as loans to municipalities to help them finance their half of infrastructure costs for a Waukesha County Communications Center.

During 2002, the County received commitments from 29 municipalities, in the form of promissory notes to Waukesha County, to pay their estimated share of the capital costs. These notes totaled \$1,423,526, and were recorded as long-term receivables from municipalities in 2003, when construction began on the communications center. As of December 31, 2003, \$1,245,585 was outstanding on the notes.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 8- CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2003 was as follows:

<b>Governmental Activities</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	<u>\$ 25,588,702</u>	<u>\$21,395,829</u>	<u>\$ 14,305,918</u>	<u>\$ 32,678,613</u>
Land	<u>\$ 28,186,270</u>	<u>\$ 1,870,589</u>	<u>\$ -</u>	<u>\$ 30,056,859</u>
Other Capital Assets				
Buildings	\$ 94,643,677	\$ 5,070,411	\$ 831,808	\$ 98,882,280
Land improvements	9,974,522	466,548	111,506	10,329,564
Machinery and equipment	25,335,580	3,174,129	3,816,251	24,693,458
Vehicles	9,414,344	970,887	1,099,034	9,286,197
Infrastructure	155,672,005	7,330,437	251,291	162,751,151
Total other capital assets at historical cost	<u>\$ 295,040,128</u>	<u>\$17,012,412</u>	<u>\$ 6,109,890</u>	<u>\$ 305,942,650</u>
Less: Accumulated Depreciation for:				
Buildings	\$ 28,776,074	\$ 1,375,549	\$ 530,640	\$ 29,620,983
Land improvements	4,419,321	206,065	62,818	4,562,564
Machinery and equipment	16,286,555	2,120,913	3,200,403	15,207,065
Vehicles	5,686,179	1,132,319	1,102,752	5,715,746
Infrastructure	70,838,871	7,618,089	99,541	78,357,419
Total Accumulated Depreciation	<u>\$ 126,007,000</u>	<u>\$12,452,935</u>	<u>\$ 4,996,154</u>	<u>\$ 133,463,781</u>
Net Other Capital Assets	<u>\$ 169,033,128</u>	<u>\$ 4,559,477</u>	<u>\$ 1,113,736</u>	<u>\$ 172,478,869</u>

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 8- CAPITAL ASSETS (CONT'D)**

Depreciation expense was charged to functions as follows:

Justice and Law Enforcement	\$ 392,478
Health & Human Services	52,182
Public Works (includes roads, bridges, signals, buildings)	8,666,307
Environment, Parks, and Education	436,033
General Government	465,919
Risk Management	1,358
Vehicle Replacement Fund	1,742,365
Central Fleet	142,233
Records Management	131,204
Communications	24,272
Collections	2,026
Computer Replacement Fund	<u>396,558</u>
Total Governmental Activities Depreciation Expense	<u>\$ 12,452,935</u>

<b>Business-Type Activities</b>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Construction in progress	<u>\$ 51,563</u>	<u>\$ -</u>	<u>\$ 51,563</u>	<u>\$ -</u>
Land	<u>\$ 10,288,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,288,747</u>
Other Capital Assets				
Buildings	\$ 18,783,829	\$ 368,837	\$ -	\$ 19,152,666
Land improvements	18,351,072	107,581	-	18,458,653
Machinery and equipment	7,146,068	254,146	27,574	7,372,640
Vehicles	<u>195,910</u>	<u>-</u>	<u>195,910</u>	<u>-</u>
Total other capital assets at historical cost	<u>\$ 44,476,879</u>	<u>\$ 730,564</u>	<u>\$ 223,484</u>	<u>\$ 44,983,959</u>
Less: Accumulated depreciation for:				
Buildings	\$ 5,831,857	\$ 590,754	\$ -	\$ 6,422,611
Land improvements	5,131,174	902,903	-	6,034,077
Machinery and equipment	2,794,427	709,976	16,582	3,487,821
Vehicles	<u>68,569</u>	<u>9,796</u>	<u>78,365</u>	<u>-</u>
Total Accumulated Depreciation	<u>13,826,027</u>	<u>2,213,429</u>	<u>94,947</u>	<u>15,944,509</u>
Net Other Capital Assets	<u>\$ 30,650,852</u>	<u>\$ (1,482,865)</u>	<u>\$ 128,537</u>	<u>\$ 29,039,450</u>



WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 8– CAPITAL ASSETS (CONT'D)**

Depreciation expense was charged to functions as follows:

Radio Services	\$ 455,601
Golf Courses	263,077
Ice Arenas	219,376
Exposition Center	107,397
Materials Recovery Facility	237,943
Airport	930,035
Total Business-Type Activities Depreciation Expense	<u>\$ 2,213,429</u>

**NOTE 9. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

Individual fund interfund receivable and payable balances for overdrafts on pooled cash accounts at December 31, 2003 were as follows:

Receivable Fund	Payables Fund	Amount	Amount Not Due Within One Year
General Fund	Long Term Care	\$ 2,450,210	\$ 0
General Fund	Transit Services	103,288	103,288
Subtotal - Fund financial statements		\$ 2,553,498	\$ 103,288
Less: Fund eliminations		(2,553,498)	(103,288)
Total – Government-wide statement of Net Assets		\$ 0	\$ 0

Individual balances for interfund advances at December 31, 2003 were as follows:

Receivable Fund	Payables Fund	Amount	Amount Not Due Within One Year
General Fund	2003 Capital Projects	\$ 1,975,625	\$ 1,975,625
General Fund	Ice Arena Fund	1,953,763	1,852,347
General Fund	Expo Center	64,000	48,000
General Fund	Radio Services	4,211,578	3,561,899
General Fund	Risk Management	485,134	376,276
Risk Management	General Fund	500,000	500,000
Golf Course Fund	Ice Arena Fund	461,609	461,609
Subtotal - Fund financial statements		\$ 9,651,709	\$ 8,775,756
Less fund eliminations		(3,422,368)	(3,313,510)
Total – Government-wide statement of net assets		\$ 6,229,341	\$ 5,462,246

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 9– INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONT'D)**

The principal purpose of these interfunds is to provide funding for capital projects through internal borrowing.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General Fund	Collections Fund	\$ 70,000	To repay start-up costs
Human Services	Mental Health Center	25,000	Shift in program operating expenses
Mental Health Center	Long Term Care Fund	210,600	Shift in program operating expenses
Tarmann Fund	General Fund	332,565	To fund land acquisitions
Tarmann Fund	Golf Course Fund	250,000	To fund land acquisitions
Tarmann Fund	Materials Recovery Facility	150,000	To fund land acquisitions
Transit Services	General Fund	35,000	Operating budget support
Transit Services	Highway Operations Fund	120,000	Operating budget support
End User Technology Fund	General Fund	565,683	Operating budget support
Debt Service	General Fund	450,000	To fund debt service costs
2003 Capital Projects Fund	General Fund	923,001	To fund capital projects
2003 Capital Projects Fund	Highway Operations Fund	153,000	To fund capital projects
2003 Capital Projects Fund	1994 Capital Projects Fund	189	To fund capital projects
2003 Capital Projects Fund	1995 Capital Projects Fund	6,576	To fund capital projects
2003 Capital Projects Fund	1996 Capital Projects Fund	1,009,237	To fund capital projects
2003 Capital Projects Fund	1997 Capital Projects Fund	223,997	To fund capital projects
2003 Capital Projects Fund	2000 Capital Projects Fund	617,000	To fund capital projects
Subtotal - Fund Financial Statements		\$ 5,141,848	
Less: Fund eliminations		(4,741,848)	
Total - Government-wide Statement of Net Assets		\$ 400,000	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 10– LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
General Obligation Debt	\$ 65,085,000	\$13,500,000	\$(8,920,000)	\$69,665,000	\$ 9,400,000
Compensated Absences (Note 1.D.7)	3,505,528	342,398		3,847,926	3,847,926
Retiree Health Insurance (Note 1.D.7)	72,141		(72,141)	-	
<b>Total Governmental Activities</b>	<b>\$ 68,662,669</b>	<b>\$13,842,398</b>	<b>\$(8,992,141)</b>	<b>\$73,512,926</b>	<b>\$ 13,247,926</b>

**General Obligation Debt**

The County has issued general obligation debt for the purpose of financing various capital improvements. All general obligation notes and bonds payable are backed by the full faith and credit of the County. Notes and bonds in the governmental funds will be retired by future property tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the County may not exceed five percent of the equalized value of taxable property within the County's jurisdiction. The debt limit as of December 31, 2003, based on an equalized value of \$37,450,170,400 was \$1,872,508,520. Total general obligation debt outstanding at year-end was \$69,665,000.

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/03
<b>General Obligation Debt</b>					
<b>Governmental Activities</b>					
1997A GOPN	06/01/97	12/01/06	4.40%-4.75%	\$ 9,800,000	\$4,800,000
1998A GOPN	06/01/98	12/01/07	4.125%-4.20%	9,800,000	6,000,000
1999A GOPN	05/01/99	12/01/08	3.50%-4.30%	9,900,000	8,200,000
2000A GOPN	07/01/00	12/01/09	5.0%	9,900,000	8,200,000
2001A GORPN	04/01/01	12/01/05	5.0%	16,330,000	6,165,000
2001B GOPN	05/01/01	12/01/10	4.5%	9,900,000	8,700,000
2002A GOPN	04/01/02	04/01/12	3.75%-4.40%	14,600,000	14,100,000
2003A GOPN	04/01/03	04/01/13	2.0%-3.875%	13,500,000	13,500,000
<b>Total</b>					<b>69,665,000</b>

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 10— LONG-TERM OBLIGATIONS (CONT'D)**

---

Debt service requirements to maturity are as follows:

Governmental Activities General Obligation Debt		
Years	Principal	Interest
2004	\$ 9,400,000	\$ 2,960,187
2005	9,215,000	2,533,526
2006	9,425,000	2,111,626
2007	9,025,000	1,691,812
2008	8,375,000	1,287,731
2009-2013	24,225,000	2,053,311
Total	\$ 69,665,000	\$ 12,638,193

As of December 31, 2003, \$3,207,242 is available in the governmental funds to service the general obligation debt.

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general and human services funds.

**NOTE 11— LEASE DISCLOSURES**

---

The County has no material capital leases as lessee or lessor.

Operating Leases

1. The County has entered into a master lease agreement with the WCTC Foundation for the rental of space in a building known as the Workforce Development Center. The lease covers a ten-year period beginning January 1, 1995 with one ten-year renewal option. The initial annual rate was set at \$11.00 per square foot with adjustments applicable annually based on the Consumer Price Index and pay back of any debt received by the Foundation for major capital improvements to the building during the first ten years. The resulting annual lease cost and actual 2003 lease cost are detailed below:

Minimum Annual Lease Cost (1997 thru 2004)	\$111,067
Actual Lease - 2003	\$121,473

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 11– LEASE DISCLOSURES (CONT'D)**

---

2. The County, through the Airport Commission, oversees the overall operation of the airport, and is lessor of the facility under various operating leases for periods ranging from 2003 through 2033. Operating leases at December 31, 2003 provide for the following future minimum lease payments:

Year	Amount
2004	\$ 179,853
2005	180,643
2006	181,418
2007	182,260
2008	176,022
2009-13	729,058
2014-18	583,064
2019-23	385,745
2024-28	292,012
2029-33	236,971
Total	\$ 3,127,046

**NOTE 12 –GOVERNMENTAL ACTIVITIES NET ASSETS**

---

Governmental activities net assets reported on the government wide statement of net assets at December 31, 2003 includes the following:

Invested in capital assets, net of related debt	
Construction in progress	\$ 162,751,151
Land	-
Other capital assets, net of accumulated depreciation	205,926,971
Less: related long-term debt outstanding (net of unspent proceeds of debt)	<u>(198,243,237)</u>
Total invested in capital assets	<u>\$ 170,434,885</u>

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 13- COMPONENT UNIT**

---

This report contains the Waukesha County Housing Authority (Authority), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and statement of activities. The footnote below is re-produced from the Authority's report.

**NOTE 1 - Summary of Significant Accounting Policies**

The accounting policies of the Waukesha County Housing Authority, Wisconsin conform to generally accepted accounting principles as applicable to enterprise funds of governmental units.

**A. Reporting Entity**

This report contains the financial information of the Waukesha County Housing Authority (the "Authority"), which is a component unit of Waukesha County.

The Authority is a legally separate organization. The board of commission of the Authority is appointed by the county executive and board of supervisors of Waukesha County. Wisconsin Statutes provide for circumstances whereby Waukesha County can impose their will on the Authority, and also create a potential financial benefit to or burden on Waukesha County.

The reporting entity for the Authority consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report does not contain any component units.

The Authority was established for the purpose of engaging in the development, acquisition, and administrative activities of low-income housing programs and other programs with similar objectives. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the low-income housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make loans to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to local housing authorities for the purpose of maintaining the low-rent character of the local housing programs.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 13— COMPONENT UNIT (CONT'D)**

---

**B. Financial Statements**

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into "invested in capital assets, net of related liabilities"; "restricted for capital activity and debt service"; and "unrestricted" components.

The Authority has elected to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989, and all pronouncements of the Governmental Accounting Standards Board. The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are administrative fees earned based on the number of leased rental units. Operating expenses for the Authority include administrative expenses, tenant expenses, maintenance and operation, housing assistance payments and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 13— COMPONENT UNIT (CONT'D)**

---

Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

See NOTE III.A. for further information.

**2. Receivables**

Accounts receivable have been shown net of an allowance for uncollectible accounts of \$-0-.

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within business-type activities are eliminated in the Statement of Net Assets.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Restricted Assets**

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.



WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 13— COMPONENT UNIT (CONT'D)**

---

**5. Capital Assets**

Capital assets used by the Authority are those assets owned by the Housing Authority of the City of Waukesha. Consequently, the Authority does not report any capital assets.

**6. Compensated Absences**

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at September 30, 2003 are determined on the basis of current salary rates and include salary related payments.

**7. Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

**8. Equity Classifications**

Equity is classified as net assets and displayed in two components:

- Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**NOTE II – Stewardship, Compliance, and Accountability**

**Budgetary Information**

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for funds receiving federal expenditure awards. All budgets are prepared on a basis prescribed by HUD which is materially consistent with generally accepted accounting principles. All annual appropriations lapse at year-end.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 13- COMPONENT UNIT (CONT'D)**

NOTE III - Detailed Notes on All Funds

A. Deposits and Investments

The Authority's deposits and investments are categorized to give an indication of the level of custodial credit risk assumed by the entity at year end. Category 1 includes items that are insured or registered or which are collateralized by or evidenced by securities held by the Authority or its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name, or uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the Authority's name. Category 3 includes uncollateralized deposits, and uninsured and unregistered investments, with securities held by the counterparty or its trust department or agent but not in the Authority's name.

	Category			Totals	Carrying Amount/ Fair Value
	1	2	3		
Local and area banks	\$ 100,000	\$ -	\$ 512,474	\$ 612,474	\$ 647,474

Per Statement of Net Assets

Cash and investments - unrestricted	\$ 236,647
Cash and cash equivalents - restricted	74,423
Investments - unrestricted	<u>301,404</u>
	<u>\$ 612,474</u>

The Authority had no significant type of investment during the year not included in the above schedule.

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing the amounts in Category 1 above.

Fluctuating cash flows during the year due to receipt of federal grants and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts.

B. Restricted Assets

The following represent the balances of the restricted assets:

*Tenant Deposits*

The Authority holds certain assets under the Family Self Sufficiency Program which are for the purpose of assisting tenants with accumulating funds.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 13– COMPONENT UNIT (CONT'D)**

---

NOTE IV – Other Information

A. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

B. Commitments and Contingencies

From time to time, the Authority is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Authority's Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Authority's financial position or results of operations.

The Authority has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

C. Economic Dependency

The Authority is economically dependent on annual contributions and grants from the U.S. Department of Housing and Urban Development (HUD). The Authority operates at a loss prior to receiving contributions and grants from HUD.

**NOTE 14– EMPLOYEES' RETIREMENT SYSTEM**

---

All eligible County employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 5.2% of their salary (3.1% for Executives and Elected Officials, 4.0% for Protective Occupations with Social Security, and 3.0% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for County employees covered by the system for the year ended December 31, 2003 was \$57,193,663; the employer's total payroll was \$61,660,421. The total required contribution for the year

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 14– EMPLOYEES' RETIREMENT SYSTEM (CONT'D)**

---

ended December 31, 2003 was \$6,009,769 or 10.5 percent of covered payroll. Of this amount, the employer contributed 100 percent for the current year. Total contributions for the years ending December 31, 2002 and 2001 were \$5,493,450 and \$5,567,042, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

There was no pension-related debt for the County as of December 31, 2003.

**NOTE 15 – RISK MANAGEMENT/SELF INSURANCE**

---

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; and workers compensation. The County purchases commercial insurance to provide coverage for losses from theft of, damages to, or destruction of assets. The County also participates in a public entity risk pool called the Wisconsin Municipal Mutual Insurance Company (WMMIC) to provide coverage for losses from torts, errors and omission, and workers compensation. Such risks are accounted for and financed by the County in an internal service fund – the risk management fund.

**Public Entity Risk Pool**

During 1987, the County, together with certain other units of government within the State of Wisconsin, created the Wisconsin Municipal Mutual Insurance Company (WMMIC), a nonassessable mutual company which provides liability insurance and risk management services to its members. The County became a member of WMMIC in 1987 by issuing a general obligation note for \$2,459,264 and investing the proceeds in WMMIC. The scope of insurance protection provided by WMMIC is broad, covering automobile liability, general liability, law enforcement liability, public official's errors and omissions, civil rights, incidental medical malpractice, personal injury, equal rights, and Americans with Disabilities Act at policy limits of \$5,000,000 per occurrence with no aggregate for general liability claims but with a \$15,000,000 aggregate for errors or omissions claims. The County's self-insured retention limit is \$250,000 for each occurrence and \$750,000 annual aggregate. At this time, settled claims have not exceeded the commercial coverage in any of the past three years. WMMIC's exposure in its layer of insurance is limited to \$1,000,000 per occurrence in that the company purchases \$4,000,000 per occurrence in reinsurance for losses in excess of its retained layer of coverage.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 15— RISK MANAGEMENT/SELF INSURANCE (CONT'D)**

---

WMMIC is governed by one entity-one vote. Member entities include Waukesha County and the counties of Brown, Chippewa, Dane, Dodge, Eau Claire, Kenosha, LaCrosse, Manitowoc, Marathon, Outagamie, and St. Croix and the cities of Eau Claire and Madison. All member entities participate in the governing of the company. Its Board of Directors is made up of at least five representatives of the participating entities and the company's Charter allows for the appointment of two at large members to the Board of Directors. The participants elect the board members at the annual meeting. The board has the authority to adopt its own budget, set policy matters and control the financial affairs of the company.

The actuary for WMMIC determines the insurance premiums for each member based upon the relevant rating exposure bases as well as the historical loss experience by member. WMMIC's ongoing operational expenses, other than loss adjustment expenses, are apportioned pro rata to each participant based on equity interest in the company. The participants' share in the operation of WMMIC as of December 31, 2003 is as follows:

	<u>Percentage</u>
Brown County	8.06
Chippewa County	3.68
Dane County	9.90
Dodge County	4.03
Eau Claire County	3.14
City of Eau Claire	4.20
Kenosha County	6.11
LaCrosse County	4.12
City of Madison	20.16
Manitowoc County	6.81
Marathon County	6.06
Outagamie County	7.55
St. Croix County	3.67
Waukesha County	<u>12.51</u>
Total	100.00

Summary financial information of the company as of December 31, 2003 is as follows:

Total assets	\$43,007,183
Total liabilities	13,468,031
Total surplus	29,539,152
Total revenues	4,288,028
Total expenditures	3,042,499
Net income	1,245,529
Outstanding debt	0

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 15– RISK MANAGEMENT/SELF INSURANCE (CONT'D)**

---

The County's investment in WMMIC is reported on the risk management fund balance sheet as a deposit. The amount reported is the original capitalization of \$2,459,264. According to its bylaws, WMMIC allocates equity to members based on the percentage of participation. GASB pronouncements do not allow the current value of the County's account at WMMIC to be recorded as an asset. However, the amount is \$4,021,545. Separate financial statements can be obtained from WMMIC at their address of 4785 Hayes Road, Madison, Wisconsin, 53704-7364.

WMMIC requires that the County maintain a minimum reserve amount for the payment of claims equal to the expected present value of unpaid losses as determined by the company's actuary consultant. At December 31, 2003, the county's minimum reserve amount required by WMMIC is \$693,847. Risk management's liability and worker's compensation reserves are accounted for in the same fund on a combined basis. The County has established a combined reserve in the amount of \$1,938,777, compared to a combined expected present value of loss amount of \$1,306,142.

**Self Insurance – Worker's Compensation**

The worker's compensation internal service fund is maintained to provide for self-insured worker's compensation insurance coverage and employee safety and loss control programs. The County contracts with a third party claims administrator for the purpose of adjusting worker's compensation claims. An excess insurance policy covers individual claims in excess of the County's \$250,000 self-insured retention up to statutory requirements (unlimited) per claim. At this time, settled claims have not exceeded the commercial coverage in any of the past three years. Costs associated with the worker's compensation program are billed to other County departments based on exposure and historical loss experience and include amounts necessary to fund current year claims to be paid in the current year and in the future.

At December 31, 2003, the expected present value of unpaid losses, as determined by the County's actuary consultant, is \$612,295. Risk management's liability and worker's compensation reserves are accounted for in the same fund on a combined basis. The County has established a combined reserve in the amount of \$1,938,777, compared to a combined expected present value of loss amount of \$1,306,142.

**Claims Liability**

The County's objective is to provide a reserve confidence level between 75% and 95% for liability and worker's compensation claims on a combined basis as a reflection of the County's risk tolerance. At December 31, 2003, the County's liability and worker's compensation combined claims reserve totals \$1,938,777, which represents a confidence level of about 95%.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 15- RISK MANAGEMENT/SELF INSURANCE (CONT'D)**

<del>Liability and Workers Compensation Claims</del>	<u>2002</u>	<u>2003</u>
Unpaid claims, including incurred but not reported -		
Beginning of Year	\$ 1,641,330	\$ 2,179,365
Increase in reserves to achieve 75% confidence level as of 12/31/01	208,960	
Current year claims and changes in estimates	665,615	108,968
Claim payments	<u>(336,540)</u>	<u>(349,556)</u>
Unpaid claims - End of Year	<u>\$ 2,179,365</u>	<u>\$ 1,938,777</u>

In addition, net assets can be analyzed as follows:

Invested in capital assets	\$ 4,487
Reserves for losses not captured within actuary analysis (e.g., pollution liability, employment litigation back wages, etc.) and for catastrophic losses	3,344,071
WMMIC deposit	<u>2,459,264</u>
Total Net Assets	<u>\$ 5,807,822</u>

**Self-Insurance - Health Coverage**

The County has established a self-insurance program for health claims. Claims are accounted for in the general fund, and are processed by a third party claims administrator. The uninsured risk of loss is \$150,000 per individual claimant per year. The County has purchased commercial stop-loss insurance for claims in excess of the \$150,000 retention. In 2003, the plan experienced two claims that exceeded the \$150,000 specific stop loss retention.

The County also has a self-funded dental plan. The insurance claim payments shown below include both self-funded health and dental.

All funds of the County participate in the health and dental insurance programs. Amounts payable to the general fund are based on actuarial estimates of the amounts necessary to pay prior and current year claims.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported.

Claims Liability	<u>2002</u>	<u>2003</u>
Unpaid claims - Beginning of Year	\$ 1,432,336	\$ 1,401,667
Current year claims and changes in estimates	11,460,565	12,458,558
Claim payments	<u>(11,491,234)</u>	<u>(12,494,481)</u>
Unpaid claims - End of Year	<u>\$ 1,401,667</u>	<u>\$ 1,365,744</u>

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 16– COMMITMENTS AND CONTINGENCIES**

---

From time to time, the County is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and corporation counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operations.

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

During 2003, the County borrowed \$13,500,000 for the purpose of making various capital improvements. This money, as well as revenue from other sources, is reflected in the 2003 capital projects fund. Work that has been completed but not yet paid for (including contract retainages) is reflected as accounts payable. The balance of contract amounts plus open purchase orders of \$13,373,949 at year end will be paid out of the reserved fund balance in the capital projects funds.

Funding for the operating budget of the County comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the County. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the County.

**NOTE 17– SUBSEQUENT EVENTS**

---

On March 9, 2004, the County issued \$14,000,000 of General Obligation Promissory Notes, Dated April 1, 2004, to finance part of the cost of capital improvements within the County.

Also in March, 2004, the County Board authorized the early (June 1, 2004) redemption of General Obligation Promissory Notes Series 1997 and appropriated \$2.8 million of general fund balance to fund the additional principal retirement.



**THIS PAGE LEFT BLANK**